

**IMMEDIATE
ATTENTION**

EBAM/12/7
Correction 1

July 13, 2012

To: Members of the Executive Board

From: The Secretary

Subject: **Annual Salary Adjustments for OED Assistants—Proposed New Framework**

The attached correction to EBAM/12/7 (7/12/12) has been provided by the staff:

Page 4, para. 9, first bullet, line 3: for “May 1, 2013” read “May 1, 2012”

Questions may be referred to Mr. Meyers (ext. 35912) and Ms. Michaels (ext. 35451) in SEC.

This paper will shortly be posted on the extranet, a secure website for the Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Members of the Executive Board

7. To improve the transparency and timeliness of the OED Assistant merit round, the proposed framework sets the OED Assistant merit budget envelope on the basis of the merit budget calculated for Fund staff for each financial year.⁵ As the size of the staff merit budget is known by early June; this revised approach would therefore permit the OED merit budget envelope and allocations to individual Offices to be calculated in sufficient time for the OED merit round on the same timetable as Fund staff, avoiding lags which have arisen in the past with implementation of these processes for OED Assistants.⁶

B. Allocation of merit budgets to individual Offices of Executive Director

8. In place of the procedure employed in FY2012, the proposed framework provides for merit allocations to the individual Offices in line with their proportional shares of the total OED Assistant salary bill.⁷ This approach generates merit budgets for offices that are more aligned with the seniority of the assistants employed in each office. Executive Directors would, as in the past, continue to allocate individual merit salary increases to their Assistants on a discretionary basis. In doing so, however, Directors could take into account the framework for staff merit increases, which restricts outstanding or superior ratings to no more than 30 percent of all Fund staff; the expectation is that most Fund staff will be rated effective.⁸

⁵ The budget for staff merit pay is based on the erosion of average salaries over the previous financial year against the budget for salaries approved by the Board at the start of that year, and is subject to an absolute cap equivalent to 1.9 percent of salaries, but may be less in any given year. In FY2013 the approved merit budget is 1.8 percent of total salaries. The distribution of merit increases to individual staff is entirely based on performance, as determined through an annual performance review.

⁶ The formula for calculating the OED merit budget envelope in FY2012 entailed identifying the relationship between average actual OED Assistant salaries and average actual staff (A1- B3) salaries on June 30, and calculating the average dollar amount required to maintain this relationship after staff merit increases on July 1. While this approach permits a precise relationship to be maintained between average staff and OED salaries, the information on which the calculation is based is confidential and not disclosed. This approach also requires delaying the OED Assistant merit round until after the staff merit round has been fully completed.

⁷ In FY2012, the merit allocations allocated to individual Directors were based on average dollar increases (\$1,260) required to maintain the alignment with average actual staff salaries, multiplied by the number of eligible Assistants employed in each Office. Relative to an allocation based on applying a percentage increase to the actual salaries of OED Assistants, this approach was somewhat disadvantageous to offices employing relatively senior/highly remunerated Assistants.

⁸ In FY2013, management has approved a merit increase of 2.76 percent to staff whose performance last year was assessed as Outstanding; 2.42 percent for staff whose performance was Superior; and 1.38 percent for staff whose performance was Effective. Staff whose performance was assessed as unsatisfactory are not eligible for a salary increase.

III. IMPLEMENTATION OF THE NEW FRAMEWORK FOR OED ASSISTANT SALARY INCREASES

9. It is proposed that the new framework for annual salary adjustments for OED Assistants, which will be employed in FY2013 and succeeding years, be implemented as follows:

Structural Adjustments:

- Consistent with the principle of parallel treatment of OED Assistants and comparable Fund staff, it is proposed that there should be no structural change in the salaries of OED Assistants effective May 1, 2012.⁹
- In future years, resources for OED Assistant structural salary adjustments would continue to be equivalent to the average annual structural increase approved for Fund salaries, as applied to the salaries of OED Assistants as at April 30 each year. Individual allocations to Assistants would reflect each Assistant's position in his/her respective grade salary band, on the same basis as comparable Fund staff.¹⁰
- The "merit increase protection provisions" approved in the context of the 2009 OED Assistant regarding exercise (see EBAM/09/40) are deemed also to cover OED structural salary adjustments; accordingly OED Assistants whose salary is currently above the grade salary ceiling due to these grandfathering arrangements shall be eligible to receive a salary adjustment increase equivalent to the structural increase for the third salary segment of the relevant grade salary range.

Merit Increases:

- OED Assistants will be eligible to receive an annual, performance-based merit adjustment to their salary, effective July 1 of each year.
- A total annual OED merit budget envelope will be calculated on the basis of the merit budget calculated for Fund staff for each financial year, applied to the total salaries of OED Assistants as at June 30 each year. All merit increases for OED Assistants will be accommodated within the approved OED merit budget envelope.
- In FY2013, the OED global merit budget envelope would be set at 1.8 percent of the total OED Assistant salary bill as at June 30, 2012, as proposed in paragraph 7 above. On this basis, the OED merit envelope for FY2013 would be \$68,730.

⁹ The Executive Board approved no increase in the Fund's structural pay lines for FY2013 (EBAP/12/23).

¹⁰ As agreed in FY2012, an Executive Director may determine whether, on the basis of performance, any Assistant employed in his/her office should not receive a structural adjustment.